

A *udit*

R *eport*



PROMPTNESS OF FY 2002 FIRST QUARTER
DOD PAYMENTS TO THE U.S. TREASURY
FOR DISTRICT OF COLUMBIA
WATER AND SEWER SERVICES

Report No. D-2002-007

October 15, 2001

Office of the Inspector General
Department of Defense

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Acronyms

DFAS
WASA

Defense Finance and Accounting Service
Water and Sewer Authority



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

October 15, 2001

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
DIRECTOR, WASHINGTON HEADQUARTERS
SERVICES
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
NAVAL INSPECTOR GENERAL

SUBJECT: Audit Report on the Promptness of FY 2002 First Quarter DoD Payments
to the U.S. Treasury for District of Columbia Water and Sewer Services
(Report No. D-2002-007)

We are providing this audit report for information and use. The audit was mandated by Public Law 106-554. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Henry F. Kleinknecht at (703) 604-9324 (DSN 664-9324) (hkleinknecht@dodig.osd.mil) or Mr. Ronald W. Hodges at (703) 604-9592 (DSN 664-9592) (rhodges@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. D-2002-007

(Project No. D2001FA-0154)

October 15, 2001

Promptness of FY 2002 First Quarter DoD Payments to the U.S. Treasury for District of Columbia Water and Sewer Services

Executive Summary

Introduction. This report covers FY 2002 first quarter payments and is one in a series of reports discussing the promptness and completeness of DoD payments to the U.S. Treasury for District of Columbia water and sewer services. Public Law 106-554, the Consolidated Appropriations Act of 2001, requires the inspector general of each Federal agency to audit the agency's promptness in paying the District of Columbia for water and sewer services. The audit reports must be submitted to the House and Senate Appropriations Committees within 15 days of the start of each quarter.

The District of Columbia Water and Sewer Authority supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. The U.S. Treasury is the collection agent for Federal agencies and DoD Components' water and sewer payments, with the U.S. Treasury submitting a single payment to the Water and Sewer Authority. The DoD Components, composed of 17 separate installations, sites, and organizations, are required to make advance quarterly payments to the U.S. Treasury for estimated bills on anticipated water usage in FY 2002.

Objective. The audit objective was to determine the promptness of FY 2002 first quarter DoD payments to the U.S. Treasury for District of Columbia water and sewer services.

Results. DoD Components did not make first quarter FY 2002 payments to the U.S. Treasury for District of Columbia water and sewer services on the first day of the fiscal year. Consequently, the U.S. Treasury withdrew \$1 million available to Army and Defense Components to pay the District of Columbia. Payments were not withdrawn from the Navy and Air Force Components because of credit balances from prior overpayments; or from Arlington National Cemetery's appropriation because of Public Law 107-20. Army officials dispute the appropriateness of the \$77,000 the U.S. Treasury withdrew for FY 2002 first quarter water and sewer services for Fort Myer.

Management Comments. We provided a draft report on October 9, 2001. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

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Background

This audit was required by Public Law 106-554, the Consolidated Appropriations Act of 2001. Public Law 106-554 requires the inspector general of each Federal agency that receives water and sewer services from the District of Columbia to report to the Congressional Appropriations Committees on the promptness of payments within 15 days of the start of each quarter. This report covers FY 2002 first quarter payments and is one in a series of reports discussing the promptness and completeness of DoD payments to the U.S. Treasury for District of Columbia water and sewer services.

The District of Columbia Water and Sewer Authority. The District of Columbia supplies both water and sewer services to Federal agencies and DoD Components within the National Capital Region. Since October 1996, the District of Columbia Water and Sewer Authority (WASA) has been responsible for delivery of water and sewer services to DoD Components. WASA provides meter readings and annual estimated billings to the U.S. Treasury for water and sewer services provided to the Federal agencies, including DoD Components.

U.S. Treasury Responsibility. Under the District of Columbia Public Works Act of 1954, the Federal Government was to receive water and sewer services from the District of Columbia, and the District of Columbia was paid with an annual lump sum in accordance with the District of Columbia Appropriations Act. The District of Columbia Appropriations Act of 1990 (Public Law 101-168) changed the payment process by designating the U.S. Treasury as the collection agent for the Federal agencies' water and sewer payments, with the U.S. Treasury remitting a single payment to the District of Columbia. Public Law 106-554 amends the process used by the Federal agencies to make payments to the U.S. Treasury. The U.S. Treasury is now authorized and directed to automatically withdraw funds from Federal agencies and provide those funds to WASA by the second day of each quarter when agencies do not forward timely payments of amounts billed by WASA. The U.S. Treasury bills Federal agencies and DoD Components annually for their estimated water and sewer usage and makes quarterly payments to WASA based on meter readings and estimates provided by WASA. The DoD Components are required to make quarterly payments to the U.S. Treasury for those annual estimated bills. See Appendix B for a list of DoD components, composed of 17 separate installations, sites, and organizations, that received WASA services.

Federal Agencies Responsibility. Public Law 101-168 mandates responsibility to the respective Federal agencies for payment of water and sewer services. The funds for the services come through the agencies' operating budgets and their respective appropriations bills. Each quarterly payment is due to the U.S. Treasury account, "Federal Payment for Water and Sewer Services," on the first day of the quarter. DoD Components make their payments to the U.S. Treasury through the Defense Finance and Accounting Service (DFAS).

DFAS Responsibilities. DFAS provides finance and accounting services, to include making bill payments, to DoD Components and other Federal agencies. Specifically, DFAS-Indianapolis Center provides financial services to the Army, DFAS-Cleveland Center provides those same services to the Navy, and DFAS-Omaha Operating Location provides financial services to the Air Force. The DoD Components submit requests for payments of water and sewer services to the appropriate DFAS location, and DFAS pays the U.S. Treasury either by check or electronic transfer in the amount indicated on the request.

Objective

The audit objective was to determine the promptness of DoD FY 2002 first quarter payments to the U.S. Treasury for District of Columbia water and sewer services. See Appendix A for a discussion of the audit scope and methodology and prior coverage related to audit objectives.

DoD FY 2002 Payments to the U.S. Treasury

DoD Components did not make first quarter FY 2002 payments to the U.S. Treasury for District of Columbia water and sewer services on the first day of the fiscal year. Consequently, the U.S. Treasury withdrew \$1 million available to Army and Defense Components to pay the District of Columbia. Payments were not withdrawn from the Navy and Air Force Components because of credit balances from prior overpayments; or from Arlington National Cemetery's appropriation because of Public Law 107-20. Army officials dispute the appropriateness of the \$77,000 the U.S. Treasury withdrew for FY 2002 first quarter water and sewer services for Fort Myer.

Supplemental Appropriations Legislation

2001 Legislation. Public Law 107-20, the Supplemental Appropriations Act of 2001, removes the authority of the U.S. Treasury to withdraw funds from Arlington National Cemetery for payment to the District of Columbia for water and sewer services. Public Law 107-20 requires that DoD pay the difference between the amount Arlington National Cemetery previously paid for estimated water bills and the actual amount billed to Arlington National Cemetery. Public Law 107-20 also directs the U.S. Treasury to reimburse Arlington National Cemetery for previous withdrawals with funds taken from other DoD appropriation accounts.

Promptness of FY 2002 First Quarter DoD Payments

Pending approval of their FY 2002 budget, DoD Components, except Fort Myer, planned to make timely payments of their District of Columbia water and sewer bills for the first quarter of FY 2002. On Friday, September 28, 2001, a Continuing Resolution Authority was signed. However, there was not sufficient time to process the payment to the U.S. Treasury before Monday, October 1, when the U.S. Treasury withdrew the payment. The U.S. Treasury did not withdraw funds for Arlington National Cemetery's bill. Arlington National Cemetery plans to pay its FY 2002 first quarter water and sewer bill when its FY 2002 budget is approved. As shown in the following table, DoD Components were billed \$2.1 million and the U.S. Treasury withdrew available funds totaling \$1 million for the first quarter of FY 2002 payment.

DoD Components FY 2002 First Quarter Bills and Payments (As of October 1, 2001)			
	<u>Amount Billed (thousands)</u>	<u>Credits from Overpayments (thousands)</u>	<u>Amount Withdrawn (thousands)</u>
Pentagon	\$343	0	\$343
Arlington National Cemetery	89	0	0
Fort Myer ¹	77	0	77
Walter Reed Army Medical Center	382	0	382
Fort McNair ²	6	0	6 ³
Navy ^{4,5}	634	\$(1,028)	0
Bolling Air Force Base ⁶	409	(580)	0
National Imagery and Mapping	205	0	205
Total	\$2,145	\$(1,608)	\$1,013
¹ Fort Myer discontinued water services in January 1999. Fort Myer receives and pays for water services provided by Arlington County, Virginia			
² Includes Fort McNair, National War College, and National Defense University Center			
³ Fort McNair paid \$24,000 for the FY 2002 bill ; the \$6,000 represents the quarterly payment			
⁴ Includes Anacostia Naval Station, Bellevue Naval Housing, Naval Observatory, Marine Corps Barracks (8 th & I), Naval Research Laboratory, Nebraska Avenue Annex, Potomac Annex, and Washington Navy Yard			
⁵ Estimated amount billed for FY 2002 was \$2.5 million (\$634,000 represents the quarterly amount billed); a credit adjustment of \$4.1 million (\$1,028,000 represents the quarterly refund) for FY 1999 overpayments			
⁶ Estimated amount billed for FY 2002 was \$1.6 million (\$409,000 represents the quarterly amount billed); a credit adjustment of \$2.3 million (\$580,000 represents the quarterly refund) for FY 1999 overpayments			

Water and Sewer Bill for Fort Myer

The water and sewer bill that Fort Myer received for FY 2002 reflects the WASA adjustment to Fort Myer's actual usage for FY 1999. Although the U.S. Treasury withdrew \$77,000 for Fort Myer's bill, Army officials at Fort Myer believe that the bill should not be paid. From FY 1990 through FY 1998, Fort Myer water usage averaged \$384,000 per year or \$96,000 per quarter. In January of 1999 (FY 1999), Fort Myer discontinued water services with WASA after one quarter of usage. The Army previously paid \$185,000 for FY 1999 estimated water usage for Fort Myer. As a result, Army officials contend that the \$185,000 paid on the FY 1999 estimated water usage for Fort Myer should be sufficient. Since Public Law 101-168 does not provide a mechanism to resolve billing disputes between WASA and Federal Agencies or between Federal Agencies and the U.S. Treasury, the Army will continue to work with the U.S. Treasury and WASA to resolve all outstanding issues regarding Fort Myer.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We reviewed DoD Component billing and payment information for the first quarter of FY 2002 for District of Columbia water and sewer services. Specifically, we reviewed bills received by DoD Components from the U.S. Treasury to establish the amounts billed for water and sewer services. We also contacted the U.S. Treasury to confirm that funds available to DoD Components were withdrawn to pay the District of Columbia for FY 2002 first quarter water and sewer bills. See Appendix B for a list of the DoD Components receiving water and sewer services from WASA.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Financial Management high-risk area.

Use of Computer-Processed Data. We did not rely on computer-processed data for our review of billing and payment data for water and sewer services provided to DoD Components by the District of Columbia.

Audit Type, Dates and Standards. We performed this program audit from July through October 5, 2001, in accordance with generally accepted Government auditing standards except we were unable to obtain an opinion on our system of quality control. The most recent external quality control review was withdrawn on March 15, 2001, and we will undergo a new review.

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD, the U.S. Treasury, and the District of Columbia Water and Sewer Authority. Further details are available upon request.

Prior Coverage

Inspector General, DoD

Inspector General, DoD, Report No. D-2001-159, "Promptness and Completeness of FY 2001 Fourth Quarter DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," July 13, 2001

Inspector General, DoD, Report No. D-2001-100, "Promptness and Completeness of FYs 2000 and 2001 DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," April 13, 2001

Inspector General, DoD, Report No. D-2001-053, "DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia," February 15, 2001

Appendix B. DoD Customers of the District of Columbia Water and Sewer Authority

According to the District of Columbia Water and Sewer Authority, the list below identifies the 17 DoD Components for which the Water and Sewer Authority provides estimated bills to the U.S. Treasury for water and sewer services for FY 2002.

Army

Arlington Cemetery
Fort McNair
Fort Myer
Walter Reed Army Medical Center

Navy

Anacostia Naval Station
Bellevue Naval Housing
Marine Corps Barracks, 8th & I
Naval Observatory
Naval Research Laboratory
Nebraska Avenue Annex
Potomac Annex
Washington Navy Yard

Air Force

Bolling Air Force Base

Other Defense Organizations

National Defense University Center
National Imagery and Mapping Agency
National War College
Washington Headquarters Services

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Auditor General, Department of the Army
Commander, Walter Reed Army Medical Center
Commander, Fort Myer
Director, Arlington National Cemetery

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Director, Field Support Activity

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, Bolling Air Force Base

Defense Organizations

Director, Defense Finance and Accounting Service
Director, National Imagery and Mapping Agency
Director, Washington Headquarters Services

Non-Defense Federal Organizations

Office of Management and Budget
Inspector General, Department of the Treasury

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector, DoD, who contributed to the report are listed below.

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